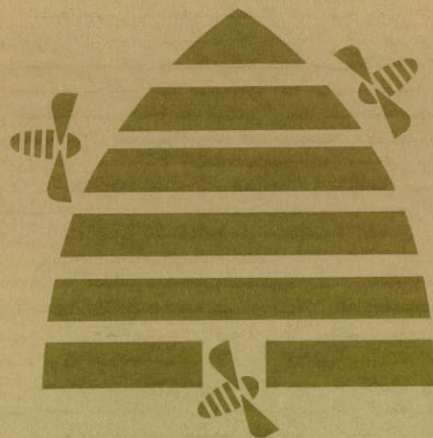


CITY & DISTRICT
SAVINGS BANK

Montreal

135th ANNUAL STATEMENT 1981



**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Highlights of Consolidated
Financial Statements**

(in thousands of dollars)

	1981	1980
Assets	\$4 177 132	\$3 598 573
Deposits	\$3 953 380	\$3 307 480
Securities	\$ 565 531	\$ 468 591
Mortgage loans	\$2 636 072	\$2 393 700
Net profit for the year	\$ 6 364	\$ 7 471



*THE MONTREAL CITY AND DISTRICT
SAVINGS BANK*

CONSOLIDATED FINANCIAL STATEMENTS
AS AT OCTOBER 31, 1981

	1981	1980
Liabilities		
Deposits		
Canada, in Canadian currency	\$ 241	\$ 717
Other deposits, in Canadian currency	3 939 458	3 300 533
In other currencies	13 681	6 230
<i>Total deposits</i>	3 953 380	3 307 480
Other liabilities	26 737	18 962
Long-term debt (note 4)	116 131	186 524
Accumulated appropriations for losses (note 5)	12 260	20 867
Shareholders' equity		
Capital stock		
Authorized —		
8 000 000 shares		
of \$1.00 each		
Issued and Paid —		
3 000 000 shares	3 000	3 000
Rest account	58 260	56 760
Retained earnings	7 364	4 980
<i>Total shareholders' equity</i>	68 624	64 740
	\$4 177 132	\$3 598 573

Raymond Garneau
Chairman of the Board
and Chief Executive Officer

Pierre Goyette
Executive Vice-President
and General Manager

Auditors' Report to the Directors

We have examined the consolidated Statement of Assets and Liabilities of the Montreal City and District Savings Bank as at October 31, 1981 and the consolidated Statements of Revenue and Expenses, Rest Account, Retained Earnings and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1981 and the results of its operations and the changes in its financial position for the year then ended.

Auditors:
Poissant Richard,
affiliated with Thorne Riddell
Samson Bélair

Montréal, December 10, 1981.

Consolidated Statement of Revenue and Expenses

for the financial year ended October 31

(in thousands of dollars)

Revenue

Loans	\$ 345 186	\$ 278 038
Securities	83 896	45 971
Deposits with banks	31 184	30 285
Other operating revenue	24 655	26 398

Total revenue

Expenses

Interest on deposits and long-term debt	409 298	309 750
Interest on other liabilities	287	411
Salaries	36 106	32 160
Pension contributions and other staff benefits	5 285	4 401
Property expenses, including depreciation	5 952	5 975
Provision for losses on loans	3 662	2 642
Other operating expenses	29 231	26 130

Total expenses

Loss before income taxes and extraordinary items	4 900	777
--	-------	-----

Income taxes

Current	69	278
Deferred	(4 942)	(3 323)
Future tax reduction (note 6)	(2 631)	(2 416)
	(7 504)	(5 461)

Profit before extraordinary items	2 604	4 684
Extraordinary items (note 7)	3 760	2 787

Net profit for the year

Average number of shares outstanding	3 000 000	3 000 000
--------------------------------------	-----------	-----------

Per share

Profit before extraordinary items	\$ 0.87	\$ 1.56
Net profit for the year	\$ 2.12	\$ 2.49
Dividends	\$ 1.16	\$ 1.16

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

Consolidated Statement of Rest Account

for the financial year ended October 31

(in thousands of dollars)

Balance at beginning of year
Balance of proceeds from issue of shares of 1979
Transfer from retained earnings
Balance at end of year

1981	1980
\$56 760	\$54 449
—	311
1 500	2 000
\$58 260	\$56 760

**Consolidated Statement of
Retained Earnings**

for the financial year ended October 31

(in thousands of dollars)

Balance at beginning of year
Net profit for the year
Transfer to (from) accumulated appropriations
for losses, net.

Dividends
Transfer to rest account

Balance at end of year

1981	1980
\$ 4 980	\$ 3 214
6 364	7 471
1 000	(225)
12 344	10 460
3 480	3 480
1 500	2 000
4 980	5 480
\$ 7 364	\$ 4 980

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Consolidated Statement of Changes
in Financial Position**

for the financial year ended October 31
(in thousands of dollars)

Source of funds

Funds provided from operations:

Profit before extraordinary items
Items not requiring an outlay of funds

1981

1980

\$ 2 604
(334)

\$ 4 684
569

2 270

5 253

Other items providing funds:

Increase in deposit liabilities
Increase in other liabilities
Decrease in bank premises
Decrease in other assets
Balance of proceeds from issue of shares of 1979

645 900

367 059

12 276

—

41 934

—

—

13 206

—

327

\$702 380

\$385 845

Use of funds

Increase in cash resources
Increase in securities
Increase in loans
Increase in bank premises
Increase in other assets
Decrease in other liabilities
Decrease in long-term debt
Dividends

\$277 394

\$ 72 072

99 272

11 052

251 163

256 406

—

22 348

678

—

—

4 013

70 393

16 474

3 480

3 480

\$702 380

\$385 845

Notes to Consolidated Financial Statements

as at October 31, 1981

1. Accounting policies

a) Consolidation

The financial statements include the consolidated accounts of the Bank's wholly-owned subsidiary, Crédit Foncier. All inter-company accounts and transactions have been eliminated.

b) Rate of exchange

Accounts in foreign currencies are translated at the exchange rate prevailing as at the date of the consolidated Statement of Assets and Liabilities or as determined by forward exchange contracts.

c) Securities

The valuation of the Bank's securities is governed by the Quebec Savings Bank Act, whereas those of its subsidiary are established in accordance with generally accepted accounting principles. Bases of valuation are:

	City and District Savings Bank	Subsidiary
Issued or guaranteed by Canada or a province	Amortized cost	Amortized cost
Other securities		
Shares	Value not exceeding market	Cost
Other	Value not exceeding market	Amortized cost

In accordance with the rules issued under the authority of the Minister of Finance of Canada, the Bank records all profits and losses on disposal of securities and the provisions required to adjust other securities to values not exceeding market, in accumulated appropriations for losses.

Profits and losses on disposal of securities realized by the subsidiary are recorded as extraordinary items.

d) Bank premises

Bank premises and real estate are valued at cost less accumulated depreciation. Depreciation of real estate held for rental is computed according to the sinking fund method. Office premises and other fixed assets are depreciated on the declining balance except for leasehold improvements which are depreciated on the straight line basis.

The profit on disposal of real estate is recognized based on payments received and the unrealized portion is included in other liabilities.

e) Income taxes

- i) Income taxes are recorded in the financial statements on the deferral basis. Deferred income taxes result from claiming deductions for tax purposes in excess of amounts charged in the accounts.
- ii) The Bank records tax benefits resulting from losses carried forward for income tax purposes in the year in which the loss occurs. In the opinion of management, the Bank is virtually certain to realize these benefits.

f) Appropriations for losses

In accordance with the Quebec Savings Bank Act and the rules issued under the authority of the Minister of Finance of Canada, appropriations for losses are established from the Bank's unconsolidated financial data in order to provide for possible unforeseen losses on loans, securities and other assets.

2. Securities

(in thousands of dollars)

	1981		1980	
	Stated value	Market value	Stated value	Market value
Issued or guaranteed by Canada	\$ 60 700	\$ 53 708	\$ 42 723	\$ 38 526
Issued or guaranteed by a province	183 494	164 993	108 215	97 024
	244 194	218 701	150 938	135 550
Other securities				
Shares	119 365	109 175	92 499	95 525
Other	201 972	193 531	225 154	224 538
	321 337	302 706	317 653	320 063
	\$565 531	\$521 407	\$468 591	\$455 613

3. Bank premises

(in thousands of dollars)

	Cost	Accumulated depreciation	Net value	
			1981	1980
Real estate	\$110 962	\$ 2 932	\$108 030	\$151 861
Office premises				
Land	7 584	—	7 584	7 633
Buildings	35 052	16 909	18 143	18 544
	153 598	19 841	133 757	178 038
Other	19 268	13 152	6 116	6 404
	\$172 866	\$ 32 993	\$139 873	\$184 442

Depreciation charged to operations in 1981 amounted to \$3 633 000 compared with \$3 920 000 in 1980.

4. Long-term debt

(in thousands of dollars)

	1981	1980
Mortgages	\$ 17 473	\$ 26 875
Bonds subject to trust deeds		
Maturity		
1981	—	57 448
1982	30 843	31 582
1983	5 999	5 999
1984	39 658	39 658
1985	13 000	13 000
1987 - 90	6 124	6 124
	95 624	153 811
Accrued interest	3 034	5 838
	\$116 131	\$186 524

5. Accumulated appropriations for losses
(in thousands of dollars)

1981

1980

**Accumulated appropriations at
beginning of year:**

General

\$ 5 881

\$ 7 497

Tax paid

14 986

16 366

20 867

23 863

Add:

Other profits or (losses), and non-recurring
items, net

256

(309)

Income taxes

65

19

21 188

23 573

Deduct:

Profits and losses on securities, including,
provisions to reduce other securities to
values not exceeding market

5 350

2 005

Loss experience on loans less provision
included in the consolidated Statement of
Revenue and Expenses

2 578

926

Transfer to (from) retained earnings, net

1 000

(225)

Accumulated appropriations at end of year:

\$12 260

\$20 867

General

\$ 1 466

\$ 5 881

Tax paid

10 794

14 986

\$12 260

\$20 867

6. Future tax reduction

For income tax purposes, losses carried forward amount to \$13 107 000 to be used for reduction of future taxable income of which \$1 020 000 will expire in 1984, and \$5 070 000 in 1985 and \$7 017 000 in 1986. The resulting accumulated tax benefit amounting to \$5 439 000 has been computed at the tax rates known and applicable to future financial years and is included in other assets in the consolidated Statement of Assets and Liabilities.

7. Extraordinary items

(in thousands of dollars)

	1981	1980
Profit on disposal of securities	\$3 402	\$3 092
Profit on disposal of Bank premises	837	585
Other items	—	(97)
	4 239	3 580
Less: income taxes	479	793
	\$3 760	\$2 787

8. Remuneration of directors and senior officers of the Bank

Total remuneration paid to the directors of the Bank as directors, by the Bank and its subsidiary and to senior officers of the Bank by the Bank and its subsidiary amount to \$1 210 000 in 1981 compared to \$986 000 in 1980.

9. Comparatives figures

Certain of the preceding year figures have been reclassified to conform with the current year financial statement presentation.

10. Subsequent event

The Board of Directors approved as at November 18, 1981 a By-Law in order to modify the authorized capital stock of the Bank, by (i) redesignating its existing Shares as Common Shares (ii) creating 3 000 000 Class A Preferred Shares without nominal value, which may be issued for an aggregate consideration not exceeding \$75 000 000, and (iii) creating 7 000 000 additional Common Shares of one dollar (\$1.00) each. This By-Law will have to be approved by the Governor in Council following approval at the Annual General Meeting of the Shareholders, January 15, 1982 in the manner prescribed.



**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

FINANCIAL STATEMENTS
AS AT OCTOBER 31, 1981

The financial statements of the Montreal City and District Savings Bank are presented hereafter in the form prescribed by the Quebec Savings Bank Act.

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

Statement of Assets and Liabilities

as at October 31

	1981	1980
Assets		
Cash resources		
Cash and due from banks	\$ 423 369 037	\$ 262 719 351
Cheques and other items in transit, net	60 037 896	56 196 680
Total cash resources	483 406 933	318 916 031
Securities		
Issued or guaranteed by Canada, at amortized value	50 277 390	39 635 999
Issued or guaranteed by a province, at amortized value	129 746 563	82 865 704
Other securities not exceeding market value	39 765 008	71 010 116
Securities of wholly-owned subsidiary, at cost	129 491 909	129 491 909
Total securities	349 280 870	323 003 728
Loans		
Mortgages, less provision for losses	895 727 019	884 771 767
Other loans, less provision for losses	204 875 819	200 915 433
Total loans	1 100 602 838	1 085 687 200
Sundry assets		
Bank premises at cost, less accumulated depreciation	17 943 004	18 538 071
Other assets	10 416 794	10 887 924
Total sundry assets	28 359 798	29 425 995
	\$1 961 650 439	\$1 757 032 954

	1981	1980
Liabilities		
Deposits		
Canada, in Canadian currency	\$ 240 587	\$ 717 474
Other deposits, in Canadian currency	1 874 324 345	1 670 945 978
In other currencies	370 505	1 048 148
Total deposits	1 874 935 437	1 672 711 600
Other liabilities	13 072 049	3 384 474
Accumulated appropriations for losses	12 260 292	20 867 132
Shareholders' equity		
Capital stock		
Authorized —		
8 000 000 shares		
of \$1.00 each		
Issued and paid —		
3 000 000 shares	3 000 000	3 000 000
Rest account	58 260 000	56 760 000
Undivided profits	122 661	309 748
Total shareholders' equity	61 382 661	60 069 748
	\$1 961 650 439	\$1 757 032 954

Raymond Garneau

Chairman of the Board
and Chief Executive Officer

Pierre Goyette

Executive Vice-President
and General Manager

Auditors' Report to the Shareholders

We have examined the Statement of Assets and Liabilities of the Montreal City and District Savings Bank as at October 31, 1981 and the Statement of Revenue, Expenses and Undivided Profits, the Statement of Accumulated Appropriations for Losses, the Statement of Rest Account and the Statement of Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Bank as at October 31, 1981 and its revenue, expenses and undivided profits, accumulated appropriations for losses, rest account and changes in financial position for the year then ended.

Auditors:

Poissant Richard,
affiliated with Thorne Riddell
Samson Bélair

Montréal, December 10, 1981.

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Statement of Revenue, Expenses
and Undivided Profits**

for the financial year ended October 31

	1981	1980
Revenue		
Loans	\$138 898 279	\$120 957 225
Securities	36 855 080	21 136 605
Deposits with banks	27 216 026	23 378 622
Dividends from subsidiary	8 698 930	8 198 877
Other operating revenue	6 675 306	7 129 197
Total revenue	218 343 621	180 800 526
Expenses		
Interest on deposits	171 235 152	136 791 392
Salaries, pension contributions and other staff benefits	27 969 268	25 019 971
Property expenses, including depreciation	5 875 283	6 077 076
Other operating expenses, including provision of \$2 800 000 (\$2 050 000 in 1980) for losses on loans based on a five year average loss experience	12 542 884	10 889 451
Total expenses	217 622 587	178 777 890
Balance of revenue	721 034	2 022 636
Income Taxes		
Deferred	591 635	991 542
Future tax reduction (note 2)	2 480 244	2 437 146
	3 071 879	3 428 688
Balance of revenue before appropriation for losses	3 792 913	5 451 324
Appropriation for losses	—	1 225 469
Net profit for the year	3 792 913	4 225 855
Dividends	3 480 000	3 480 000
Amount carried forward	312 913	745 855
Undivided Profits		
Balance at beginning of year	309 748	563 893
Transfer from accumulated appropriations for losses	1 000 000	1 000 000
Total	1 622 661	2 309 748
Transfer to rest account	1 500 000	2 000 000
Balance at end of year	\$ 122 661	\$ 309 748

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Statement of Accumulated
Appropriations for Losses**

for the financial year ended October 31

	1981	1980
Accumulated appropriations at beginning of year:		
General	\$ 5 880 633	\$ 7 496 987
Tax paid	14 986 499	16 366 518
	20 867 132	23 863 505
Add:		
Appropriation from current year's operations	—	1 225 469
Other profits or (losses), and non-recurring items, net	256 420	(309 767)
Income taxes	65 029	19 018
	21 188 581	24 798 225
Deduct:		
Profits and losses on securities, including provisions to reduce securities other than those of Canada and a province to values not exceeding market	5 350 181	2 005 010
Loss experience on loans less provision included in other operating expenses	2 578 108	926 083
Transfer to undivided profits	1 000 000	1 000 000
Accumulated appropriations at end of year:	\$12 260 292	\$20 867 132
General	\$ 1 465 971	\$ 5 880 633
Tax paid	10 794 321	14 986 499
	\$12 260 292	\$20 867 132

Statement of Rest Account

for the financial year ended October 31

	1981	1980
Balance at beginning of year	\$56 760 000	\$54 449 299
Balance of proceeds from issue of shares of 1979	—	310 701
Transfer to undivided profits	1 500 000	2 000 000
Balance at end of year	\$58 260 000	\$56 760 000

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Statement of Changes
in Financial Position**

for the financial year ended October 31

Source of funds

Funds provided from operations:

Balance of revenue before appropriation
for losses

Items not requiring an outlay of funds

\$ 3 792 913

1 519 451

5 312 364

\$ 5 451 324

3 777 283

9 228 607

Other items providing funds:

Increase in deposits liabilities

202 223 837

86 739 008

Increase in other liabilities

9 687 575

—

Decrease in securities

—

32 411 536

Decrease in other assets

3 589 907

341 719

Balance of proceeds from issue of shares of 1979

—

327 054

\$220 813 683

\$129 047 924

Use of funds

Increase in cash resources

\$164 490 902

\$ 81 845 670

Increase in securities

31 412 664

—

Increase in loans

20 275 615

38 913 300

Increase in bank premises

1 154 502

760 916

Decrease in other liabilities

—

4 048 038

Dividends

3 480 000

3 480 000

\$220 813 683

\$129 047 924

Notes to Financial Statements

as at October 31, 1981

1. Accounting policies

The Quebec Savings Bank Act and the rules issued under the authority of the Minister of Finance of Canada prescribe the form and content of the financial statements issued by the Bank.

The significant accounting policies are as follows:

a) Securities

Profits and losses on disposals of securities and the necessary provisions to adjust other securities to an amount not exceeding market value are recorded in the Statement of Accumulated Appropriations for Losses.

b) Bank premises

Depreciation of bank premises is computed on the declining balance basis for buildings and equipment and on the straight-line basis for leasehold improvements.

c) Appropriations for losses

The Bank establishes a provision for losses on loans based on five-year average loss experience and charges it to the Statement of Revenue and Expenses. In addition the Bank may set up an appropriation for losses out of the balance of revenue before appropriation for losses in order to provide for possible unforeseen future losses on loans, securities and other assets.

d) Income taxes

- i) Income taxes are recorded in the financial statements on the deferral basis. Deferred income taxes result from claiming deductions for tax purposes in excess of amounts charged in the accounts.
- ii) The Bank records tax benefits resulting from losses carried forward for income tax purposes in the year in which the loss occurs. In the opinion of management, the Bank is virtually certain to realize these benefits.

2. Future tax reduction

For income tax purposes, losses carried forward amount to \$11 723 000 to be used for reduction of future taxable income of which \$5 070 000 will expire in 1985 and \$6 653 000 in 1986. The resulting accumulated tax benefit amounting to \$4 865 000 has been computed at the tax rates known and applicable to future financial years and is included in other assets in the Statement of Assets and Liabilities.

3. Comparative figures

Certain of the preceding year figures have been reclassified to conform with the current year financial statement presentation.

4. Subsequent event

The Board of Directors approved as at November 18, 1981 a By-Law in order to modify the authorized capital stock of the Bank, by (i) redesignating its existing Shares as Common Shares (ii) creating 3 000 000 Class A Preferred Shares without nominal value, which may be issued for an aggregate consideration not exceeding \$75 000 000, and (iii) creating 7 000 000 additional Common Shares of one dollar (\$1.00) each. This By-Law will have to be approved by the Governor in Council following approval at the Annual General Meeting of the Shareholders, January 15, 1982 in the manner prescribed.



THE MONTREAL CITY AND DISTRICT
SAVINGS BANK'S
SUBSIDIARY

CRÉDIT FONCIER

Consolidated Balance Sheet

as at October 31

Highlights

Assets

Deposits and short-term investments
 Bonds
 Stocks
 Mortgages
 Other loans
 Real estate
 Office premises
 Other assets

1981

\$ 241 023 000
 94 232 000
 110 308 000
 1 746 125 000
 33 771 000
 100 000 000
 7 050 000
 11 335 000
\$2 343 844 000

1980

\$ 90 782 000
 112 731 000
 82 410 000
 1 516 100 000
 —
 140 119 000
 7 157 000
 9 962 000
\$1 959 261 000

Liabilities

Short-term notes
 Debentures and guaranteed
 investment certificates
 Mortgages payable by subsidiaries
 Other liabilities
 Deferred income
 Deferred income taxes
 Shareholder's equity

\$ 372 233 000
 1 823 577 000
 17 610 000
 5 782 000
 4 634 000
 5 567 000
 114 441 000
\$2 343 844 000

\$ 250 509 000
 1 552 857 000
 27 092 000
 5 193 000
 4 499 000
 8 617 000
 110 494 000
\$1 959 261 000

CRÉDIT FONCIER

**Consolidated Statement of Revenue
and Expenses****for the financial year ended October 31**

Highlights

Revenue

	1981	1980
Interest	\$251 294 000	\$185 104 000
Dividends	8 083 000	5 040 000
Office premises and real estate revenue	17 325 000	18 837 000
Other	3 159 000	2 863 000
Total revenue	279 861 000	211 844 000

Expenses

Interest	235 785 000	168 442 000
Office premises and real estate expenses	14 188 000	16 332 000
Salaries and staff benefits	13 421 000	11 541 000
Other operating expenses	13 143 000	9 854 000
Total expenses	276 537 000	206 169 000

Profit before income taxes	3 324 000	5 675 000
Income taxes	(4 432 000)	(2 033 000)
Net operating profit	7 756 000	7 708 000
Extraordinary items	4 890 000	5 277 000
Net profit for the year	\$12 646 000	\$12 985 000

Net profit per share

Net operating profit	\$ 8.40	\$ 8.34
Extraordinary items	\$ 5.29	\$ 5.71
Net profit for the year	\$13.69	\$14.05

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Board of
Directors**

- * Raymond Garneau
- *** Chairman of the Board
and Chief Executive Officer

Roger Lavoie
Vice-Chairman
of the Board

- ** Guy A. Beaudin
- * Claude Castonguay
- * Réjean Gagné
- * Robert Gratton
- Michael B. Harding
- Josette D. Leman
- ** Pierre H. Lessard
- André Marcil
- *** Morgan McCammon
- ** Philippe Roberge
- *** Jeannine Guillevin-Wood

- * Member of the Executive Committee
- ** Member of the Audit Committee
- *** Member of the Salary Committee

**THE MONTREAL CITY AND DISTRICT
SAVINGS BANK**

**Executive Officers
of the Bank**

Raymond Garneau
Chairman of the Board
and Chief Executive Officer

Pierre Goyette
Executive Vice-President
and General Manager

Yvon Marcoux
Senior Vice-President — Administration

André Danis
Vice-President — Branches

René Delisle
Vice-President — Marketing

Guy Lemieux
Vice-President — Credit

Roland Brien
Assistant General Manager

Jacques Éthier
Assistant General Manager

Camille Antaki
Secretary

Jacques Parent
Chief Accountant

